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No. 81-681

In the Supreme Court of the United States

October Term, 1981

VELO-BIND, INCORPORATED,
Petitioner,

vs.

MINNESOTA MINING AND MANUFACTURING COMPANY, *et al.*,
Respondents.

ON CERTIORARI TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF OF MINNESOTA MINING AND MANUFACTURING COMPANY OPPOSING CERTIORARI SOUGHT BY VELO-BIND, INCORPORATED

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THE GATES LEGAL PUBLISHING CO., CLEVELAND, OHIO—TEL. (216) 621-5647

RULE 28.1 STATEMENT

Subsidiaries and affiliates of Minnesota Mining and Manufacturing Company

U.S.:

Cable Networks Incorporated
Eastern Heights State Bank of Saint Paul

Foreign:

Neotechnic Engineering Limited	(U.K.)
P.T. 3M Indonesia	(Indonesia)
Marupi-Riker Company Ltd.	(Japan)
Sumitomo 3M Limited	(Japan)
Yamagata 3M Limited	(Japan)
3M Business Systems Limited	(Japan)
3M Health Care Limited	(Japan)
3M Korea Limited	(Korea)
Minnesota Nigeria Limited	(Nigeria)
Etkins Holdings (Pty.) Ltd.	(So. Africa)

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BRIEF OF MINNESOTA MINING AND MANUFACTURING COMPANY OPPOSING CERTIORARI SOUGHT BY VELO-BIND, INCORPORATED

Velo-Bind in this patent case, companion to No. 81-677, complains that the Ninth Circuit (Judges Duniway, Sneed and Poole) unanimously (1) denied Velo-Bind damages for lost profit on the sale of "unpatented paper, plastic strips, and book and document covers" for use in Velo-Bind's patented book binding machine, 647 F.2d at 967, 972, A-4, 15-16, and (2) denied increased damages and attorney's fees. 647 F.2d at 975, A-23.

There is no merit to either claim:

1. Damages Are Not Recoverable For Non-Patented Consumable Supplies

Recovery may not be had for lost profits on sales of non-patented consumable supplies—in this case, paper, plastic strips, and book and document covers—used in Velo-Bind's patented book and document binding machines.

The reasons are:

The Constitution, Article I, Section 8, clause 8, provides for patents on *"Discoveries."* The paper, plastic strips, and book and document covers are *not* Velo-Bind's "Discoveries." Velo-Bind has no monopoly on their use.

The patent issues to reward those who *add* to the common stock of useful materials, things, and knowledge. It does not issue to protect one who would *withdraw* from the common storehouse, and appropriate for his own use, items open to all of the public.

The statute, 35 U.S.C. §284, allows damages *"for the infringement."* Sales of non-patented consumable supplies infringe no patent. The point is:

> "If it is desirable that the inventor secure an exclusive right in his invention, it is equally essential that his privilege shall not trespass upon what is not his." 13 LAW AND CONTEMPORARY PROBLEMS, DUKE UNIVERSITY, pp. 245, 256, *What Is a Patent?* by Walton Hamilton and Irene Till.

Public policy, defined in this Court's cases, makes plain that the patent owner must be content with what he has patented. Consider, for example:

> *Carbice Corporation of America v. American Patents Development Corporation* (1931), 283 U.S. 27,

where the Court held (p. 31) "to permit the patent-owner 'to derive its profit, not from the invention on which the law gives it a monopoly *but from the unpatented supplies* with which it is used,' is 'wholly without the scope of the patent monopoly.' "[1]

Leitch Manufacturing Co. v. Barber Company (1938), 302 U.S. 458, where the Court held (p. 461) "the patent did not confer upon The Barber Company the right to be free from competition *in supplying unpatented material* to be used in practicing the invention * * *."

Morton Salt Co. v. G. S. Suppiger Co. (1942), 314 U. S. 488, where the Court held (p. 492) "the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention."

The underpinning for Velo-Bind's supplies argument is the claim that Velo-Bind lost a sale on the patented machine, and—but for the infringement—would have sold the machine. Yet it is exactly this postulating of its own sale that causes Velo-Bind's theory to self-destruct.

The purchaser of the machine acquires an automatic license to buy from *any* source, and without paying tribute to the patent owner, the non-patented materials he needs in using the machines:

Adams v. Burke (1873), 17 Wall. 453, 455-456;

United States v. Univis Lens Co., Inc. (1942), 316 U.S. 241, 249, 251.

As the Court put it in *Adams* (p. 455):

"We have repeatedly held that where a person had purchased a patented machine of the patentee

1. Emphasis supplied throughout.

or his assignee this purchase carried with it the right to the use of that machine so long as it was capable of use * * *. The true ground on which these decisions rest is that the sale by a person who has the full right to make, sell, and use such a machine *carries with it the right* to the use of that machine to the full extent to which it can be used * * *."

The reason is, as the Court pointed out in *United States v. Univis* (p. 249):

"An incident to the purchase of any article, whether patented or unpatented, is the right to use * * * it * * *."

The Court added (p. 251):

"Our decisions have uniformly recognized that the purpose of the patent law is fulfilled with respect to any particular article when the patentee has received his reward for the use of his invention by the sale of the article, and that once that purpose is realized the patent law affords no basis for restraining the use and enjoyment of the thing sold. *Adams v. Burke,* supra, 456; *Keeler v. Standard Folding Bed Co.,* 157 U.S. 659; *Motion Picture Co. v. Universal Film Co.,* 243 U.S. 502; and see cases collected in *General Pictures Co. v. Electric Co.,* 305 U.S. 124, 128, n.1. In construing and applying the patent law so as to give effect to the public policy which limits the granted monopoly strictly to the terms of the statutory grant, *Morton Salt Co. v. Suppiger Co.,* 314 U.S. 488, the particular form or method by which the monopoly is sought to be extended is immaterial."

The *Aro* cases confirm this rule:

Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co., Inc. (1961), 365 U.S. 336, 342, 345 (Aro I);

Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co., Inc. (1964), 377 U.S. 476, 484, 497, 510 (Aro II).

In the first *Aro* case the Court pointed out that it has (p. 342):

> "steadfastly refused to extend the patent monopoly beyond the terms of the grant. *Wilson v. Simpson*, 9 How. 109—doubtless the leading case in this Court that deals with the distinction—concerned a patented planing machine which included, as elements, certain cutting knives which normally wore out in a few months' use. The purchaser was held to have the right to replace those knives without the patentee's consent."

In the second *Aro* case the Court said (p. 497):

> "When the patentee has sold the patented article or authorized its sale and has thus granted to the purchaser an 'implied license to use,' it is clear that he cannot thereafter restrict that use; 'so far as the use of it was concerned, the patentee had received his consideration, and it was no longer within the monopoly of the patent.' *Adams v. Burke*, 17 Wall. 453, 456. In particular, he cannot impose conditions concerning the *unpatented supplies, ancillary materials, or components with which the use is to be effected.*"

Common sense says there can be no recovery for non-patented consumable supplies used in the patented machines. As the Court of Appeals observed, Velo-Bind:

> "admits that if 3M had deprived Velo-Bind of virtually all of its profits by simply selling strips, paper, and covers to Velo-Bind's customers, without selling the

infringing machine, Velo-Bind would have had no claim for relief under the patent laws." 647 F.2d at 972, A-16.

Velo-Bind's claim thus founders on the proposition: where there has been no wrong the law provides no remedy.

Moreover, to grant Velo-Bind damages for asserted lost sales of non-patented consumable supplies would entail wholesale overturn of law.

The claim for increased damages and attorney's fees is equally without basis:

2. Increased Damages and Attorney's Fees Were Also Properly Denied

The Court of Appeals properly denied the claim for increased damages and for attorney's fees. The Court of Appeals observed:

> "The questions of patent validity and infringement in this case are complex and close. The district court's conclusion that 3M's conduct was not so egregious or exceptional as to compel additional damages or attorneys' fees was proper exercise of its discretion." 647 F.2d at 975, A-23.

Where the questions of validity and infringement are as doubtful as the Court of Appeals found them to be, no basis exists for increase of damages or for attorney's fees. See for example:

> *Dunkley Co. v. Vrooman* (6th Cir., 1921), 272 Fed. 468, where the court observed (p. 469): "The question of infringement was too doubtful to leave room for any award of extra damages * * *."

Rockwood v. General Fire Extinguisher Co. (2nd Cir., 1930), 37 F.2d 62, where the court said (p. 66):

> "The validity of the patent and its infringement was open to honest doubt, and it was not until this court passed upon the question that the defendants were found to infringe."

That is surely the rule of good sense. As the court remarked in *Enterprise Mfg. Co. v. Shakespeare Co.* (6th Cir., 1944), 141 F.2d 916, 921, a court "does not readily infer wrong motivation upon the part of those resisting the validity of patent claims. Patentees generally entertain suspicion that those who challenge their claims are deliberate malefactors." Similary in *Cincinnati Car Co. v. New York Rapid Transit Corporation* (2nd Cir., 1933), 66 F.2d 592, the court cautioned (p. 593), "Patent infringement often involves nice and casuistical questions which it is mere artifice to treat as involving moral delinquency."

The District Court gave Velo-Bind's effort to increase damages and to recover attorney's fees full and thoughtful consideration. The District Court noted that Velo-Bind's claim for:

> "treble damages, and attorneys fees was considered by the Court at two hearings occurring on April 20 and April 27, 1979, respectively. Each of the memoranda filed by the parties and the evidence and argument elicited at the hearings was carefully considered." A-28.

The upshot was that the trial court, fully conversant with the issues, concluded, the court:

> "finds no sufficient equitable reason to justify the in- A-29.

Attorney's fees and increased damages were properly denied for an additional reason. Velo-Bind, in this very Court, is misusing its patents by asserting claim not only for infringement but by seeking to stretch the coverage of its patents to embrace non-patented consumable supplies —paper, plastic strips, and book and document covers— used in its binding machines. In light of this, it would, if anything, have been an abuse of discretion to grant attorney's fees or to increase the damages.

CONCLUSION

The Petition for a Writ of Certiorari sought by Velo-Bind presents no questions not already long and well settled. The writ should be denied; the writ sought by Minnesota Mining should be granted.

Respectfully submitted,

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